

**OFFICE OF THE CITY MANAGER  
DES MOINES, IOWA**

**CITY COUNCIL COMMUNICATION 96-258  
JUNE 17, 1996 AGENDA**

SUBJECT:	TYPE:	SUBMITTED BY:
QUALITY WINE COMPANY, INC. REDEVELOPMENT PROPOSAL	◆ RESOLUTION ORDINANCE RECEIVE/FILE	SCOTT A. STRICKER ECONOMIC DEVELOPMENT ADMINISTRATOR

**SYNOPSIS —**

The Quality Wine Company, Inc. has submitted a developer-initiated proposal to redevelop Disposition Parcel No. 31A/Guthrie Avenue Business Park (vicinity of Thompson Avenue east of DeWolf Street - 2001 DeWolf Street). The redeveloper is proposing to construct a 45,000-sq.-ft. office/distribution facility on the approximate 5.9-acre parcel.

On the June 17, 1996, Council agenda are two roll calls that request Council to:

1. Set date of public hearing to accept the developer-initiated proposal from the Quality Wine Company, Inc. to redevelop Disposition Parcel No. 31A; and
2. Authorize advertisement for competing redevelopment proposals and to authorize notice of intent to enter into an Agreement to Purchase Land for Private Redevelopment with the Quality Wine Company, Inc. if no competing proposals are received.

**FISCAL IMPACT —**

The Quality Wine Company, Inc. has offered a purchase price of \$218,500 for Disposition Parcel No. 31A. Sale proceeds will be allocated to the Guthrie Avenue Business Park Account. The City will pay \$15,295 (seven percent commission) to Crowley-Mandelbaum, which is the real estate broker retained by the Quality Wine Company to secure acceptance of the redevelopment proposal.

**RECOMMENDATION —**

1. Accept the redevelopment proposal submitted by the Quality Wine Company, Inc. for Disposition Parcel No. 31A/Guthrie Avenue Business Park, subject to terms and conditions described in the staff report and contained in the Agreement; approve the Minimum Development Requirements and Competitive Criteria for Disposition Parcel No. 31A/Guthrie Avenue Business Park as described in Attachment "C" to the roll call; and set date of public hearing on intent to accept said proposal; and
2. Authorize a competing offering period of approximately 30 days for others interested in developing Disposition Parcel No. 31A.

**BACKGROUND —**

The Quality Wine Company, Inc. has submitted a developer-initiated proposal to purchase Disposition Parcel No. 31A for development of a 45,000-sq.-ft. office/distribution facility on approximately 5.9 acres in the vicinity of Thompson Avenue east of DeWolf Street. Quality Wine is proposing to acquire Disposition Parcel No. 31A for \$218,500. John Mandelbaum, real estate broker with Crowley-

Mandelbaum, referred Quality Wine to the City of Des Moines and is representing the company in this transaction.

The Quality Wine Company, Inc. is an Iowa corporation involved in the wholesale distribution of wine and other beverages throughout Iowa. It was organized in May 1985 and has operated since the privatization of the wine business in Iowa on July 1, 1985. The company is a wholly-owned subsidiary of the Old Peoria Company (d/b/a Quality Wine and Spirits Company), a Minnesota corporation that has distributed distilled spirits for about 60 years. The Goldenberg family of the Minneapolis area has operated the Old Peoria Company for nearly 60 years. There are several owners of the Old Peoria Company. J.R. Goldenberg owns 100 percent of the voting common stock. The Goldenberg family owns 93 percent, and the Lifson family owns seven percent of the non-voting common stock, respectively.

Quality Wine currently leases a 28,000-sq.-ft. office/warehouse facility at 1901 Hull Avenue, a few blocks north of the Guthrie Avenue Business Park. The company has outgrown its present facility and would like to expand its operations in Des Moines. The proposed development will facilitate Quality Wine's growth in Des Moines through the construction of their facility in the Guthrie Avenue Business Park and creation of about 15 new jobs within the next two years. The company is also positioning itself to expand rapidly should the State of Iowa privatize the distilled spirits industry in the near future.

The estimated cost of land acquisition, building construction and site preparation is \$2 million (approximately \$40/sq. ft.). Construction is proposed to start in August 1996 and be completed by March 1997.

A certified check from Firststar Bank of Minnesota for \$54,625 was submitted as the good faith deposit for Disposition Parcel No. 31A, which represents 25 percent of the offered purchase price. The Quality Wine Company, Inc. intends to finance the project through a construction loan from Mercantile Bank, Des Moines, Iowa, and long-term loans from both Firststar Bank, Milwaukee, Wisconsin, and participation in the SBA 504 Loan Program. Firststar Bank, Milwaukee, Wisconsin, has provided a letter dated June 3, 1996 that indicates its interest in providing mortgage financing for the project. The Corporation for Economic Development in Des Moines (CEDDM) is working with Quality Wine on an application for SBA 504 financing.

Quality Wine intends to apply for a \$125,000 forgivable loan from the City of Des Moines to be used as project equity in lieu of obtaining tax abatement on the 45,000 -sq.-ft. office/distribution facility. As a condition of the loan, the company would be required to enter into a Minimum Assessment Agreement with the City prior to March 1, 1997, that sets the Minimum Actual Value of the improvements on the property at \$1.2 million. The loan amount was derived by calculating the net present value of the taxes generated over ten years on the 45,000-sq.-ft. building, including declining schedule 10-year industrial tax abatement. Loan proceeds would be used only to construct the improvements on the property. On June 12, 1996, the Urban Renewal Board recommended approval of the concept of providing the developer with a \$125,000 forgivable loan to be used as project equity in lieu of obtaining tax abatement on the 45,000-sq.-ft. office/distribution facility. The City Council will be requested to review the loan request and enter into a loan agreement with the Quality Wine Company, Inc. in approximately one month.

On June 12, 1996, the Urban Renewal Board unanimously recommended approval of the redevelopment proposal, subject to the staff recommendation as noted in the staff report (Attachment "B"). The Quality Wine Company's development proposal will meet the Minimum Development Requirements (Attachment "C") at the time of final design plan review.